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OGC Has Reviewed

9 MAR 1956

MEMORANDUM FOR: Deputy Director (Support)

SUBJECT: Review and Revision of Contracts with
Individual Contract Personnel

REFERENCE: (a) Memorandum for DCI from DD/P dated
18 January 1956, Subject: "Taxability of
Allowance Payments to Contract Agents."
(b) Memorandum to D/Pers from ADD/S
dated 24 January 1956, Subject as above.

1. This memorandum contains for your information a report of progress in reviewing and revising agent contracts in the light of the policy guidance given in Reference (a). This report is submitted pursuant to paragraph 3 of Reference (b).

2. Subsequent to receipt of a copy of Reference (a) on 2 February 1956, discussions were held both internally and with the office of the SSA/DDS relative to procedures for implementing the policies established. On 14 February 1956, a memorandum setting forth the relevant factors, and the names of the agents concerned, was transmitted by the Chief, Contract Personnel Division to the SSA/DDS for each of the DD/P divisions having agents whose contracts provided some form of allowance payment. A similar memorandum, a copy of which is attached, was also sent to the Office of Communications. To assure complete understanding of the memorandum, on 20 February 1956, a representative of the Contract Personnel Division met with the DD/P Personnel Officers to answer questions regarding its implementation.

3. As of this date, the Contract Personnel Division is now awaiting requests for contract amendments from the operating offices concerned. Although they have had queries from certain of the divisions, no requests have as yet been received. However, contract language has been devised to accommodate anticipated requests, so that there should be no delay in preparing amendments when the requests are received. It may be noted that from the point of view of magnitude, the total operation will not be as great as initially expected. A review of all agent contracts disclosed that there were only 121 contracts with provisions for allowances (119 in DD/P and two in the Office of Communications.)

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4. The only real problem encountered in the exercise so far has had to do with establishing a formula which would meet the requirements of the revenue laws for placing a monetary value on quarters furnished by the Government. In this connection, representatives of the Office of General Counsel, Finance Division, SSA/DDS and this office have unanimously agreed on using for both tax withholding and tax liability purposes the amounts established as quarters allowances by the Standardized Regulations (Government Civilians, Foreign Areas), since this appears to be the most equitable as well as the most workable formula. It is understood that a representative of OGC has obtained informal agreement of the Internal Revenue Service that in lieu of using actual rental cost the requirements of the revenue laws will be met through use of either a fixed experience factor or a predetermined rental or property value. It was the consensus of the group mentioned above that the quarters allowances established by the Standardized Regulations would meet these criteria. This office intends to present this formula in writing to both your office and to the Deputy Director (Plans) for policy approval but in the meantime if cases arise, the formula would be used in writing or amending contracts, subject to further amendment if required.

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Harrison G. Reynolds
Director of Personnel

Attachment